



Living Healthy,
Working Well

Wellness Tips

Designing a Budget You Can Live With

For many of us, a big cause of financial stress is simple: We don't know where our money goes. This article presents five simple steps to help you design a budget you can live with.

Step One: Get Motivated

Start by thinking how much better you will feel being in control of your finances. By managing your money — instead of allowing your money to manage you — you can reduce the stress, worry and anxiety. That long-awaited vacation, a down payment on a home or paying off debt may all be achievable goals if you design a budget and stick to it!

Step Two: Track Your Spending

Your next step is to find out where your money is really going. Start by recording every penny that you spend over the course of one month. Then, organize your spending records into different categories, such as housing, food, clothing, entertainment, utilities, etc. Tracking your spending will reveal which purchases are doing the greatest damage to your pocketbook and will show you where you may be getting into debt through purchases on credit.

Step Three: Set Targets

Setting reasonable targets for each of the categories you have identified will help prevent overspending. Chances are, you'll be surprised at how much you are spending in some areas. For example, those daily cans of soda from the vending machine may not seem like much, but over a month-long period, you may be spending \$50 or more.

Step Four: Trim Extra Costs

There are a number of ways to reduce expenses and live comfortably on a budget. Experienced budgeters recommend you start by concentrating on one or two areas. For example, you can reduce your food costs by buying soda in bulk from a grocery store and bringing it to work with you. Or, you may try carpooling to save money on transportation expenses.

Step Five: Monitor Your Progress

Once you have developed your budget, monitor your progress. Schedule a time each month to compare your spending to your targets. Don't panic if you go over your budget in one category. Instead, try to determine why you overspent. Were your targets unrealistic? Or, did you have an emergency or unplanned expense? If you are consistently overspending your targets, you may need to revise your estimates or take a closer look at your spending habits. Rather than pushing your spending limit higher, evaluate where you are going over budget and determine if these expenses can be reduced or eliminated.

Getting Help

If you need help developing a budget, don't be shy about seeking advice from a certified accountant or financial planner. Or, contact your Employee Assistance Program. EAP counselors are available 24 hours a day, every day, to provide confidential assistance at no cost to you. Information, self-help tools, and other resources are also available online at www.MagellanAssist.com.

© 2001 Magellan Behavioral Health